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HEADLINE: Leading Semiconductor Players Riding Sales and Margin Resurgence; Market Value Up 73%

DATELINE: SANTA BARBARA, Calif.

BODY:

Sept. 9, 1999--The composite annual sales growth rate for 12 of the leading publicly listed companies in the semiconductor industry has been on the rise for the past two quarters, hitting a 5% year-over-year rate in the second quarter of 1999. The group passed through a trough in the fourth quarter of 1998, when annual growth dipped to (1%). Group revenue rose from \$ 18 billion in Q2 98 to \$ 20 billion in Q2 99, a 10% increase over the year-ago quarter. The companies included in this study are: Analog Devices, Cirrus Logic, Intel, International Rectifier, Linear Technology, LSI Logic, Motorola, Maxim Integrated Products, National Semiconductor, Siliconix, SGS Thomson, and Texas Instruments. The latest "Semiconductor Business Update" report by Prolytix Corp. is now available for viewing for one month free at <http://www.prolytix.com/systems&semiconductors>. According to its second quarter 1999 report, gross margin for this group rose from 42% to 48% over the past four-quarter period. This helped the group amass an all-time record cash hoard of \$ 19 billion, giving them the much-needed liquidity to fuel expansion and make strategic acquisitions. In addition, the group debt/equity ratio was reduced in the same period from 0.22 to 0.17, a 23% reduction. -0-

Revenues in \$ Billions	Q2 98	Q2 99	Change
12 Semiconductor Companies (Analog Devices, Cirrus Logic, Intel, International Rectifier, Linear Technology, LSI Logic, Motorola, Maxim Integrated Products, National Semiconductor, Siliconix, SGS Thomson and Texas Instruments)	18.0	19.8	+10%

Now in its second consecutive quarter of growth, the semiconductor group is emerging from its recent cyclical trough, which occurred in Q4 98. Intel and LSI Logic made the largest gains in market share, primarily at the expense of Motorola, National Semiconductor and Cirrus Logic.

The leader, Motorola lost market share, declining 1.0% to 38% from the same period last year. The next largest competitors were Intel at 34% (up 1.2% from last year) and Texas Instruments at 12% (even with last year) of group revenues -- the other players were in the single digits. -0-

Gross Margin % of Sales	Q2 98	Q2 99	Change
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Ticker Symbol:

ADI	49.6%	48.1%	- 3.0%
CRUS	33.8%	40.8%	+20.7%
INTC	48.9%	58.9%	+20.4%
IRF	29.0%	26.9%	- 7.2%
LLTC	72.1%	74.0%	+ 2.7%
LSI	46.5%	37.2%	-19.9%
MOT	38.5%	41.6%	+ 8.0%
MXIM	67.5%	69.7%	+ 3.3%
NSM	20.6%	21.0%	+ 2.0%
SILI	30.0%	39.7%	+32.4%
STM	38.3%	39.5%	+ 3.2%
TXN	33.4%	49.0%	+46.4%

Texas Instruments, Siliconix, Cirrus Logic and Intel improved their Gross Margins in excess of 20% over the same period last year. LSI Logic, International Rectifier and Analog Devices experienced slippage in this critical operational measure.

While gross margins improved over the past year, the group as a whole has held the line on overhead, reporting a composite SG&A margin of 16%. Cirrus Logic topped the list with the highest SG&A margin at 18.8%, followed closely by Motorola at 18.6%; Maxim had the lowest at a trim 8.4% of sales. -0-

Cash in \$ Billions	Q2 98	Q2 99	Change
12 Semiconductor Companies (Analog Devices, Cirrus Logic, Intel, International Rectifier, Linear Technology, LSI Logic, Motorola, Maxim Integrated Products, National Semiconductor, Siliconix, SGS Thomson and Texas Instruments)	14.9	19.1	+28%

Increased gross margins helped the group to amass an all-time record cash hoard of \$ 19 billion, giving them the much-needed liquidity to fuel expansion and make strategic acquisitions. At the same time, the group significantly reduced debt.

Technology markets require continuous development investments and the Group R&D margin has held steady in the 12% range over the past year. The big spender in R&D was Motorola at \$ 811 million (10.8% of Sales), followed by Intel at \$ 731 million (10.8% of Sales). National Semiconductor had the highest R&D margin at 24.5%, followed by Cirrus Logic at 22.1%; on a margin basis, Siliconix was lowest at 4.4% of revenue. The group has seen steady and significant reductions in the basic "bricks and mortar" ratio, Plant, Property & Equipment; the group PP&E/Revenue ratio declined from 1.90 in Q2 98 to 1.60 in Q2 99. These fixed asset reductions match the other financial (lower debt) and operational efficiencies (higher margins) of the group. These have been driven in part by the general trend toward build-to-order business models at the computer system level. -0-

PP&E/Revenue Ratio	Q2 98	Q2 99	Change
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Ticker Symbol:

ADI	2.26	1.94	-13.9%
CRUS	0.52	0.40	-24.2%
INTC	2.02	1.69	-16.5%
IRF	2.92	2.58	-11.7%
LLTC	0.94	1.00	+ 6.9%
LSI	3.46	2.49	-28.2%
MOT	1.42	1.28	-10.0%
MXIM	1.65	1.82	+10.5%
NSM	3.25	1.92	-40.9%
SILI	2.04	1.65	-19.1%
STM	2.92	2.69	- 7.7%
TXN	1.97	1.45	-26.2%

All companies except Linear and Maxim reduced their PP&E/Revenue ratio compared with last year. Cirrus Logic is the lowest in this group because of its fabless business model. The other companies have their own wafer foundry operations.

The general trend toward Build-to-Order also necessitated improvements in inventory management. Group inventory was reduced from \$ 8.5 billion in Q2 98 to \$ 7.6 billion in Q2 99, even though revenues have been steadily increasing. Computer systems companies are under continuous pressure to minimize inventories and they are doing this by reducing backlog commitments and requiring suppliers to deliver on shorter notice. Most industry players up and down the "food chain," including semiconductor companies, have had to make dramatic improvements in inventory turns over the past four quarters. Public markets responded to the positive vital signs of this industry group to the tune of a 73% surge in market value for the group since the same period one year ago. Collective Market Value went from \$ 220 billion in Q2 98 to \$ 380 billion in Q2 99. Prolytix provides the "Semiconductor Business Update" service on its Web site at <http://www.prolytix.com/systems&semiconductors>. For a limited time, the entire report can be viewed without cost. Edited by Donald C. Collier, the online service is continuously updated within hours of the release of any subject company's financial results each quarter. Focused on financial and business trends in the Semiconductor industry, these reports provide detailed ratio analysis in a graphic, time-series format covering individual companies and industry groups, referred to as competitive clusters. The above industry group is one example of a typical industry analysis; Prolytix regularly creates custom clusters to suit client needs. Prolytix has been providing in-depth competitive analysis and industry benchmarking services to major technology companies since 1991. The company is now delivering all of its reports over the Internet and has built a detailed, highly structured financial database covering the 250 most-watched technology companies. Prolytix **analysts** can **tailor** cluster and peer-group trend **reports** for any mix of companies using proprietary analytical software. The "Semiconductor Business Update" service is available immediately, and is typically priced at \$ 500 per month, depending on the number of companies in a specific competitive cluster. Prolytix may be contacted at 104-H West Anapamu, Santa Barbara, Calif. 93101, or call 800/560-6244. The company's Web site is <http://www.prolytix.com> and the e-mail is focus@prolytix.com. For additional information, call Donald C. Collier at 800/560-6244, or e-mail to don@prolytix.com.

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